

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGR-10 AID-05 CIAE-00 COME-00
EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01
/124 W

-----102101Z 118873 /42

R 101621Z MAY 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 3710
INFO AMEMBASSY BONN
AMEMBASSY BRUSSES
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDEL MTN GENEVA

UNCLAS LONDON 07699

PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR UK
SUBJECT: UK MILK PRICES RAISED AND 1977 POTATO
GUARANTEE ANNOUNCED

BEGIN SUMMARY: UK AGRICULTURE MINISTER SILKIN TOLD
HOUSE OF COMMONS MAY 6 THAT MILK PRICES WILL RISE TWICE
THIS YEAR AS RESULT OF EC FARM SUPPORT INCREASE AND IN
RESPONSE TO PHASING OUT CONSUMER MILK SUBSIDY. LONG
DELAYED ANNOUNCEMENT ON GUARANTEED PRICE POTATOES ALSO
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MADE. END SUMMARY

1. IN HOUSE OF COMMONS, MAY 6, UK AGRICULTURE MINISTER
SILKIN SAID FARMERS WOULD BE GUARANTEED 45 PENCE PER
IMPERIAL GALLON FROM APRIL 1, 1977, 46 PENCE FROM MAY 16
AND 47.75 PENCE FROM SEPTEMBER 16 TO DECEMBER 31.
PRESENT GUARANTEE SYSTEM WILL TERMINATE FROM JANUARY 1,

1978 WITH THE END OF TRANSITION. THE PREVIOUS MILK GUARANTEE HAS BEEN 44 PENCE SINCE OCTOBER 1976 WHEN IT WAS RAISED FROM 43 PENCE TO OFFSET INCREASED COSTS BECAUSE OF LAST YEAR'S DROUGHT. OVER THE NEXT NINE MONTHS THE MILK AWARD WILL BE WORTH AN ADDITIONAL 60 MILLION POUNDS TO UK DAIRY FARMERS. SILKIN SAID DAIRY FARMERS SHOULD NOW BE ABLE TO LOOK FORWARD WITH REAL CONFIDENCE AND INVEST IN EXPANSION. MILK THIS YEAR, GIVEN NORMAL WEATHER, SHOULD BE MORE PROFITABLE THAN AT ANY TIME IN RECENT YEARS.

2. PRICE OF MILK TO CONSUMERS WILL RISE BY ONE PENNY PER IMPERIAL PINT FROM MAY 22 TO 11 1/2 PENCE FOR BASIC PASTUERISED AND BY A FURTHER ONE PENNY AFTER THE SEPTEMBER 16 RISE IN FARM PRICE. OBVIOUSLY NOT ALL OF CONSUMER PRICE INCREASE WILL BE PASSED TO FARMERS. PART OF IT GOES TOWARDS COMPENSATING FOR PHASING OUT OF CONSUMER SUBSIDY WHICH GOVERNMENT PROMISED TO DO IN RETURN FOR LAST YEAR'S IMF DEAL. INCREASING DISTRIBUTION COSTS WILL ALSO BE RECOUPED FROM RISE IN RETAIL PRICE. FURTHER RETAIL PRICE INCREASE PROBABLE EARLY 1978.

3. THIS YEAR'S RETAIL MILK PRICE INCREASES WILL RAISE FOOD PRICE INDEX BY ABOUT ONE PENNY IN THE POUND. CHEESE PRICES WILL ALSO RISE SOON BY ABOUT 2 1/2 PENCE PER LB. BECAUSE OF EC MILK PRICE INCREASE AND WILL GO UP BY A FURTHER 3 PENCE PER LB. IN THE SUMMER WHEN CONSUMER CHEESE SUBSIDY IS REMOVED.

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4. SILKIN ALSO ANNOUNCED THAT POTATO GUARANTEE PRICE FOR 1977 CROP WILL BE 46.50 POUNDS PER TON WHICH IS 6.50 POUNDS ABOVE 1976 GUARANTEE. HE SAID HE THOUGHT THE GUARANTEE WOULD BE HIGH ENOUGH, GIVEN NORMAL WEATHER, TO AVOID A SHORTAGE AND THAT POTATO GROWERS WOULD HAVE THE SAME RETURNS IN REAL TERMS AS LAST YEAR.

5. NATIONAL FARMERS' UNION COUNCIL VOTED UNANIMOUSLY TO CONDEMN NEW FARM PRICES CLAIMING THEY WERE TOTALLY INADEQUATE EVEN TO MAINTAIN PRESENT LEVEL OF PRODUCTION LET ALONE TO INCREASE IT. NFU SAID MILK PRICE COULD NOT POSSIBLY PROVIDE ADEQUATE RETURNS FOR PRODUCERS. THERE IS PARTICULAR ANGER AMONG POTATO GROWERS ABOUT SMALLNESS OF GUARANTEE RISE. THEY HAD BEEN CLAIMING AND EXPECTING AN INCREASE OF ABOUT 30 POUNDS PER TON. CHAIRMAN OF POTATO MARKETING BOARD SAID POTATO FARMERS HAVE BEEN VICTIMS OF THE GREATEST CONFIDENCE TRICK OUR AGRICULTURAL INDUSTRY HAS EVER SEEN. HE SAID FARMERS

HAD ALREADY PLANTED LARGE POTATO AREA IN CONFIDENT
EXPECTATION OF LARGE PRICE INCREASE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILK, PRICES, EXPORT SUBSIDIES, COMMODITY AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON07699
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770164-1128
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770575/aaaacmmf.tel
Line Count: 120
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9c164597-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2585046
Secure: OPEN
Status: NATIVE
Subject: UK MILK PRICES RAISED AND 1977 POTATO GUARANTEE ANNOUNCED BEGIN SUMMARY: UK AGRICULTURE MINISTER SILKIN TOL
TAGS: EAGR, UK, US
To: STATE
Type: TE
vdkgvkey: odbcr://SAS/SAS.dbo.SAS_Docs/9c164597-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009